

Department of Liquor Licenses and Control

| | FY 2022 ACTUAL | FY 2023 ESTIMATE | FY 2024 BASELINE |
|---------------------------------------|-------------------|---------------------|--------------------------------|
| OPERATING BUDGET | | | |
| <i>Full Time Equivalent Positions</i> | 51.2 | 51.2 | 58.2 |
| Personal Services | 1,553,400 | 2,794,900 | 2,794,900 |
| Employee Related Expenditures | 1,110,700 | 2,010,500 | 2,010,500 |
| Professional and Outside Services | 206,200 | 396,800 | 396,800 |
| Travel - In State | 105,800 | 67,400 | 67,400 |
| Travel - Out of State | 400 | 4,600 | 4,600 |
| Other Operating Expenditures | 1,266,000 | 1,418,300 | 1,238,400 |
| Equipment | 16,800 | 420,000 | 0 |
| AGENCY TOTAL | 4,259,300 | 7,112,500 | 6,512,600 ^{1/} |

FUND SOURCES

Other Appropriated Funds

| | | | |
|--------------------------------------|------------------|------------------|------------------|
| Liquor Licenses Fund | 4,259,300 | 7,112,500 | 6,512,600 |
| SUBTOTAL - Other Appropriated Funds | 4,259,300 | 7,112,500 | 6,512,600 |
| SUBTOTAL - Appropriated Funds | 4,259,300 | 7,112,500 | 6,512,600 |
| Other Non-Appropriated Funds | 835,500 | 1,234,000 | 1,234,000 |
| Federal Funds | 345,800 | 0 | 0 |
| TOTAL - ALL SOURCES | 5,440,600 | 8,346,500 | 7,746,600 |

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

FOOTNOTES

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Operating Budget

The Baseline includes \$6,512,600 and 58.2 FTE Positions from the Liquor Licenses Fund in FY 2024 for the operating budget. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(599,900) from the Liquor Licenses Fund in FY 2024 for removal of one-time funding. Of this amount, \$294,000 was for new vehicle purchases, \$159,600 was for equipment for new investigators, \$126,000 was for radios, and \$20,300 was for IT improvements.

Add Investigator FTE Positions

The Baseline includes an increase of 7 FTE Positions from the Liquor Licenses Fund in FY 2024 to hire new Liquor License Investigators. Laws 2022, Chapter 313 funded these positions, but did not include additional FTE authority.

Other Issues

Auditor General Report

In July 2022, the Auditor General published a sunset review for the Department of Liquor Licenses and Control's cash handling, implementation of to-go cocktail licensing, and other general agency functions. The Auditor General made the following key recommendations:

- The department should change its cash handling policy to align with the State of Arizona Accounting Manual guidelines.
- The department should establish requirements for registering alcohol delivery contractors and analyze the potential costs of funding and staffing the to-go cocktails program.
- The department should develop and implement a process to regularly review and revise the fees it collects.

| SUMMARY OF FUNDS | FY 2022 Actual | FY 2023 Estimate |
|--|-------------------|-------------------------|
| Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01) | | Non-Appropriated |
| Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes. | | |
| Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 100 | 100 |
| Audit Surcharge Fund (LLA3010/A.R.S. § 4-209) | | Non-Appropriated |
| Source of Revenue: A \$30 surcharge on liquor licenses for bars, retail stores, and restaurants. | | |
| Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses. | | |
| Funds Expended | 121,000 | 136,100 |
| Year-End Fund Balance | 309,700 | 370,800 |
| Direct Shipment License Issuance Fund (LLA3017/A.R.S. § 4-203.04B) | | Non-Appropriated |
| Source of Revenue: Fees charged by the director for the issuance of a direct shipment license. | | |
| Purpose of Fund: Administrative costs associated with the direct shipment license. | | |
| Funds Expended | 45,900 | 70,900 |
| Year-End Fund Balance | 230,400 | 205,700 |
| Direct Shipment License Renewal Fund (LLA3018/A.R.S. § 4-203.04D) | | Non-Appropriated |
| Source of Revenue: Fees charged by the director for the renewal of a direct shipment license. | | |
| Purpose of Fund: Administrative costs associated with the direct shipment licensing, auditing, and enforcement. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 666,500 | 891,700 |
| DPS-FBI Fingerprint Fund (LLA2159/A.R.S. § 4-112) | | Non-Appropriated |
| Source of Revenue: Fingerprint fees collected as part of the application process. | | |
| Purpose of Fund: Fingerprint fees are transferred to the Department of Public Safety. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 500 | 500 |
| Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209) | | Non-Appropriated |
| Source of Revenue: A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses. | | |
| Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations. | | |
| Funds Expended | 351,100 | 513,500 |
| Year-End Fund Balance | 201,200 | 98,900 |
| Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209) | | Non-Appropriated |
| Source of Revenue: A \$35 surcharge on liquor license renewals. | | |
| Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments. | | |
| Funds Expended | 304,000 | 513,500 |
| Year-End Fund Balance | 325,100 | 287,500 |
| Federal Grants (LLA2000/A.R.S. § 35-142) | | Federal Funds |
| Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety. | | |
| Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles. | | |
| Funds Expended | 345,800 | 0 |
| Year-End Fund Balance | 2,400 | 2,400 |

| SUMMARY OF FUNDS | FY 2022 Actual | FY 2023 Estimate |
|---|---------------------------|-----------------------------|
| Growlers Fund (LLA1997/A.R.S. § 4-116.01) | | Non-Appropriated |
| Source of Revenue: Fees received from growler permit applications. | | |
| Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. | | |
| Funds Expended | 13,500 | 0 |
| Year-End Fund Balance | 123,900 | 167,400 |
| IGA and ISA Fund (LLA2500/A.R.S. § 35-142) | | Non-Appropriated |
| Source of Revenue: Monies received through intergovernmental and interagency agreements. | | |
| Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 49,800 | 49,800 |
| Liquor Licenses Fund (LLA1996/A.R.S. § 4-120) | | Appropriated |
| Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature. | | |
| Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year. | | |
| Funds Expended | 4,259,300 | 7,112,500 |
| Year-End Fund Balance | 0 | 0 |
| Sampling Privileges Fund (LLA1998/A.R.S. § 4-116.01) | | Non-Appropriated |
| Source of Revenue: Fees received from sampling privilege permit applications. | | |
| Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 125,200 | 163,200 |